



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

The Payment of Allied Debts

By HON. MEDILL McCORMICK

United States Senator from Illinois

IN venturing to present a brief consideration of the present situation in Europe in its relation to economic reconstruction across seas and the restoration of industrial activity in America I will not hazard certain final, and irrevocable opinions. Nevertheless, I am compelled to say that among the impressions which I carried home with me none was more enduring or indeed more painful than that the settlements attempted to be made by the several treaties of peace, and notably those of the Trianon, St. Germain and Versailles, are not just, wise or lasting settlements.

At this time, and in view of the negotiations pending and of the mission of conciliation and true peace which must be America's, I hesitate to set down specifically matters of bitter controversy in Europe, but I shall allude to some instances in which the treaties of peace are provocative of future differences if not of future wars. I speak of the political clauses, of frontiers set down, for example, to the east of Hungary which follow no principle of nationality, of economics, of strategy, or of geography. If you please, I speak of that which has transpired and which is yet to be done in Silesia. We can not doubt that, when the frontier is there delimited, it will disappoint both the Poles and the Germans. Inasmuch as that has been privately foreseen from the beginning we can not but regret that at the outset the frontier was not delimited by a commission instead of awaiting the conclusion of a long electoral campaign and a plebiscite, with the consequent turmoil and hatred by them engendered.

In considering the Europe which has been made by these treaties we must bear in mind that at this moment at least two great states have disappeared, Russia, by her own resolution and by the blockade established about her, and Austria-Hungary, which, although an ethnic mosaic, was an economic and administrative unit. We have today in Eastern and Central Europe—we have, that is, to the west of Russia, seven new states. There are other states which are new in form, enlarged or dwarfed by the terms of the treaty. In each there have been established by legislation or executive decree, arbitrarily, tariffs, restrictions upon travel, upon railway transit, upon commerce, which, combined, are almost tantamount to an economic blockade.

Wherever the traveler goes, if he be not traveling upon a diplomatic passport, his baggage is subjected to examination and reexamination, and his passport to scrutiny and inspection as when during the war he crossed from the territory of one belligerent through that of a neutral into the territory of the first belligerent. A freight train—a rare and occasional freight train, carrying goods from the country of their origin—is halted at the frontier in order that everything may be unloaded by hand from that train and loaded into another belonging to the country for which the goods are destined. Indeed, such is the general suspicion, the universal illwill and distrust under “the charter of a new day,” that no state in Central Europe will confide its railway cars even momentarily to the keeping of another lest they be stolen and never returned. You can very

readily understand, then, how it happens that, when in one state there has been a surplus of coal and a deficiency of wheat, and the reverse has been true in another a hundred miles away, it has been impossible to effect an exchange in order to relieve the shivering population of one and the starving population of the other.

The governments are not alone responsible. Many of the peoples are moved by a nationalism, a chauvinism greater than that which preceded the outbreak of the Great War. Today, two years after the signing of the Armistice, despite the disarmament of the defeated countries, there are under arms west of Russia more men than there were in Western and Central Europe before the outbreak of the great conflict.

I suggested above that the economic policy, and indeed the military policy, of the small states is determined not only by responsible statesmen but by public opinion. Public opinion, no doubt, in great part is responsible for the French policy as to reparations. France attempted, formally at least, to fix the sum of the reparation in advance of the determination of the sovereignty of Silesia, attempted to determine the ability of the German people to pay for the injury done under the direction of the German General Staff before it was decided whether or not the vast industrial area of Silesia should be included among the productive assets of Germany or of Poland.

Before I turn to the general policy which it seems to me ought to move the Government of the United States in the matter of the sums due it by the European powers, I wish to submit for consideration some tables which were prepared for me in the Statistical Division of the Library of Congress and at the Treasury. You will recall that under the terms pro-

posed to the German Government Germany was to pay five hundred millions a year for the first two years, an average of a billion a year for the ensuing nine years, and a billion and a half annually for thirty-one years thereafter. In short, it was proposed to be required that Germany export, first half a billion, then an average of a billion, and then a billion and a half annually in excess of the sum of her imports. During the five years before the outbreak of the Great War the sum of German exports averaged a little less than two billion dollars annually, while her imports were a little in excess of two billions three hundred millions annually. In short, Germany imported three hundred and fifty millions more than she exported. If we may judge by the increase in imports and exports of other powers, ascribable to the inflation of money values, if we agree that German exports may be increased from two billion to four billion annually, and that her consumption of foreign products be so diminished that their monetary value shall not exceed three billions annually, she will be able to export the billion a year required of her. That seems difficult if not improbable. But it would be further required of her, under the terms proposed at London, that she pay in excess of the fixed annual charge 12½ per cent of the value of the total volume of exports, or, in round numbers, six hundred millions more.

I do not know the extent of the readers of Professor Keynes, but I confess that as I have gone over these tables and those of the revenue of the German Empire and of the aggregate revenue of the German states, I doubt no less than he does the capacity of the German people to meet the terms of such an indemnity. It is essential that a settlement be had. It is essential that Europe turn to its economic recon-

struction. But I submit that in so doing the European states must abandon their rivalries abroad and desist from their adventures in Asia. There is no traveler who has crossed nearly a score of frontiers, as I did, who has not been shocked to learn and to feel that between the states allied in the great struggle there is rivalry and bitterness which almost equals the hatred which exists between old enemies; to discover that the neutral states in the conflict have been drawn into the welter of general jealousy, recrimination and hatred that prevail.

In abandoning those rivalries they must abandon a good part of their armies, but here the Great Creditor may play his part. I would not alter the terms of payment for the debt due us until disarmament has been accomplished and has so long continued that we have a fair promise that these new-born states and the old will not fall back into the old ways which preceded the outbreak of the Great War.

It may be the part of necessity to defer the payment of interest upon the debt; indeed it may be necessary to refund the payment of the short-time obligations; but if the negotiators for the United States do their part, in agreeing to the postponement of the interest and the deferred payment of the principal they will at the same time exact not only reasonable and necessary disarmament but the abandonment of those restrictions upon travel and commerce which prevent trade from finding its way back to the old courses which were dammed through the long years of the war.

That I believe it our duty to do. I believe it our duty, not only for the reasons to which I have just now made allusion, but because also the European states must not be invited by any unwise and quixotic proposal on our part to continue the extravagant expendi-

ture which has gone on without check since the day of the signing of the Armistice.

In every country of Europe there are armies of functionaries as well as of soldiers. Governmental enterprises have been undertaken, commendable in themselves, but which at this time are too great to be borne by the treasuries of bankrupt or almost bankrupt states.

I would hold to the payment of our debt, not only to bring order, disarmament and economy to Europe, which cannot find it for itself nor through any political instrument or treaty as yet devised, but also because I hold that there are means of payment to which Captain Dulles makes allusion¹ but which I do not believe he has sufficiently stressed. There are territories, transferable territories, within the American hemisphere, potentially valuable to us and I believe without economic value to their present sovereigns. There are cables, not only those which belonged to Germany but others, the present ownership of which can be liquidated in order that they may be transferred to America in part payment of the debt. Anyone who has studied the present state of international communication in its bearing upon the making of world influence or the development of world commerce is driven inevitably to the conclusion that discrimination is practised against the United States and that even though it were not, practically the United States suffers by reason of the foreign ownership of four-fifths of the means of communication throughout the world.

Finally, in this connection, let me say that there are in the world, and outside of the confines of Europe, reservoirs of wealth from which revenue can be drawn for payment of the foreign

¹ See page 173.

indebtedness to the United States. There are east of us and south of us vast fields of wealth awaiting the intelligence and energy of civilized man for their exploitation, the result of which through the labors of the citizens and subjects of the creditor states can find their way into the treasury of the Great Creditor—the United States.

It may be that there are some who think that this brief outline exposes materialist and selfish policy. I have come from a continent where in a sense I found nowhere any other policy, a continent where in my judgment the pending problems can find no solution other than that which at

its bottom is an economic solution. "This is a very old cosmogony," as Anatole France remarked in one of his books. Europe is a very old Europe. Its psychology is different from our psychology; its people are the inheritors not only of an ancient and rich civilization and a fine tradition but of rivalries and hatreds which are almost immemorial, which are bone of the bone and blood of the blood of the people. We have a community of interest with Europe but not an identity of interest. It is in serving herself and guarding her own interests that America will best save Europe from herself.

A Plan for Underwriting the Debts of the Allies to the United States

By HON. JOSEPH IRWIN FRANCE
United States Senator from Maryland

IT has seemed to me that the terrible tension and tremendous action of the war have been followed by a reaction of passivity which has led us to fail to approach and master the great problems which must be solved if we are to save civilization. It seems to me that statesmen of the world have been stupefied by the stupendous events of the war, that they have been poisoned by its toxic prejudices and that they are still suffering with the fever of the perverted emotions of war. It is for this reason that we have not solved the problems which must be solved and solved quickly if we are to save the civilization of the west from destruction.

We have operated on the world with cold steel to excise from the organism the tumor of malignant militarism, but we have not closed the wound and we have not ligated the arteries, and civili-

zation is bleeding to death. This sounds extreme but it is put mildly.

The world is an organism, an organism because it is composed of separate organs with a diversity of functions, but while there is a diversity of organs and of functions there is a community of interest. If the war has taught us anything it has taught us that the world is a community. By the veins and arteries of commerce, by the nerves of electric communication, by the powerful ligaments of common interests, the world has been bound together into a single community of interest. That is what the Kaiser forgot when he marched his armies into Belgium. He forgot that if he destroyed Belgium, if he destroyed France, or if he destroyed England he also destroyed the German Empire; and they forgot at the Peace table at Paris, that to demand punitive damages and ex-